

FMS Financial

Management British of the second of the seco



FMS Pricing Concepts

- "General USG pricing policy"
 - Fair
 - Understandable
 - Recover total cost
- AECA statutory pricing requirements
- Uniform DoD pricing procedures

AECA

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FMS Pricing Concepts

- SECTION 21 Sales from stock
- SECTION 22 Salar procurement

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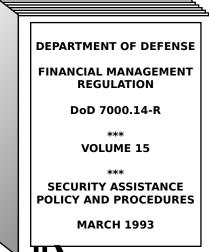
ACCOUNTY EXPLAINS.

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Uniform DOD Pricing Procedures

- Price quotations
 - Estimates only
 - Subject to future adjustment
- Single selling price ("roll-up")
- Add-on percentages not shown
- Letter of Offer and Acceptance (LOA)





(1) Itm Nbr 008 C3 47	(2) Description/Condition J 8A 768ZB00KSPUBS (N) TECH, NON-TECH BOOKS, PUBS (Note(s) 8)	(3) Qty, Unit of <u>Issue</u> XX	(4) Costs (a)Unit (b)Total \$12,372	(5) SC/MOS/ TA S(1-38) TA3	(6) Ofr Rel <u>Cde</u> A	(7) Del Trm Cde 5
009 D3 47	M1E 0205000TAUSGP (N) OTHER TECH ASSISTANCE U.S. GOVERNMENT PERS (NOT TECHNICAL ASSISTANCE TEAMS) (Note(s) 9)	XX	\$657,000	S(1-60) TA3		
010 C7	M2K 02280000RRMSL (N) R-R MISSILES AND SPT EQUIPMENT INTERIM CONTRACTOR SUPPORT REPAIRS (Note(s) 10)	XX	\$631,250 TA547	P(25-60)	Z	С
011 D3 47	R6B 076200PR0GMGT (N) PROGRAM MANAGEMENT (Note(s) 11)	XX	\$1,400,000	S(1-60) TA3		
012 D3 47	M1F 0208000000TDM (N) TECH DATA-ORG AND INTERMEDIATE LEVEL MAINTENANCE (Note(s) 12)	XX	\$181,800	P(1-38) TA5	Z	4
999 E1 88	NOO 000000FMSSTRNG (N) TRAINING (Note(s) 13, 21)	XX	\$160,000	X(18-24) TA4		
	Subtotal Cost of Ordered Articles and S Case/Program Management Estimated Cost Summary: (8) Net Estimated Cost (9) Packing, Crating, and Handling (10) Administrative Charge (11) Transportation (12) Other (13) Total Estimated Cost	Services				\$79,994,534 \$1,400,000 \$81,394,534 434 2,399,837 464 0 \$83,795,269



FMS Price Formula

FMS PRICE BASE PRICE



AUTHORIZED CHARGES

- Training
- Stock
 - Catalog/Spares
 - Major Item
 - Excess
 - Services
- New Procurement

LOA

BILLING STATEMENT DD-645

Operating Costs

- Packing (PCH 3.5%)
- Transportation (3.75%-16.25%)
- Administrative costs (2.5%-5%)
- Logistics Support Charge

(LSC 3.1%)

• Contract Admin. Services

(CAS 0.2-1.7%)

Investment Costs

Nonrecurring Costs (NC Pro-rata cost)



Security Assistance Training

(DoD 7000.14-R, Vol. 15)

Pricing Procedure

- Prices computed annually
- Training MASL published by MILDEP
- In effect for full year (w/adjustments)
- Multi-tier pricing structure



Training Price Structure

FMS FMS - NATO FMS - INCREMENTAL **FMS GRANT - NATO FMS GRANT - INCREMENTAL IMET**



Total Cost of Training - FMS

- Included in the LOA
 - Tuition price
 - Administrative surcharge
 - Medical services*
- Costs to country
 - Transportation
 - Pay and allowances
 - Other
- * FMS case, country, or student may be billed



Factors to Be Considered in Pricing Services

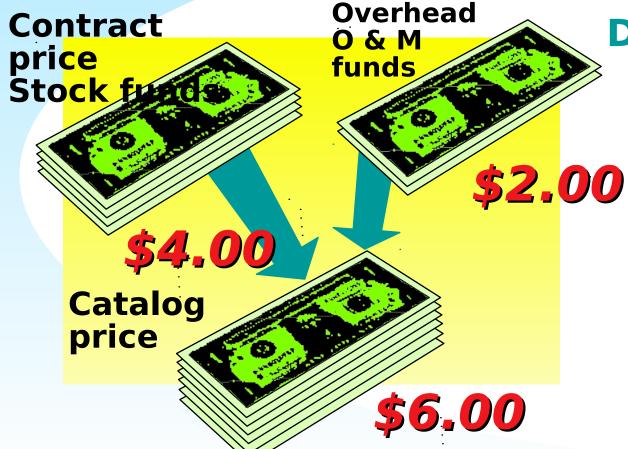
- Military (composite standard pay rates
- Civilian (standard pay rates)
- OSD compound inflation factor
- Acceleration factors
 - Leave and holidays
 - Fringe benefits
 - Unfunded retirement
- Travel (PCS/TDY)
- Materials
- Type of funding (Cash/FMFP)





Working Capital Fund Pricing

- Formerly DBOF/Stock Fund
- Most spares/parts covered



Doesn't include

- Ammo
- CAD/PAD
- TRAP
- Classified
- Crypto
- Publications
- Maps&Char



Pricing Non-Excess Major Item From Inventory

NOT TO BE REPLACED?

TO BE REPLACED?

Most Recent Acquisition Cost





Remaining Service Life (cost adjusted)

Nonrecurring Charges (adjust)

Overhaul Costs (prorated)



Pricing Excess Materials From Inventory

- ABOVE THE FORCE ACQUISITION OBJECTIVE
- SOLD IN "AS IS, WHERE IS" CONDITION
- USE HIGHEST VALUE OF:
 - MARKET VALUE + NC (PRORATED)
 - SCRAP VALUE + NC/OVERHAUL (PRORATED)
 - FAIR VALUE % RATE + NC/OVERHAUL (PRORATED)
- NEVER SOLD FOR LESS THAN SCRAP VALUE



Factors to Be Considered in Pricing an Item From New Procurement

- Prime contract cost
- GFM / inventory
- GFM / contractor
- DoD funded services
- Precious Metals



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Contract Admin.Services

(CAS 0.2-1.7%)

Investment Costs

Nonrecurring Costs (NC Pro-rata cost)



Recoupment of Nonrecurring Costs (NC)

- Non-USG purchasers shall pay fair price for DoD investment (DODD 2140.2)
- Waivers:
 - Standardization with NATO, JA, AT, NZ
 - Loss of Sale
 - Cost reduction for DoD EOQ
 - Blanket waivers not authorized
 - Need concurrence of DSCA, USD(C), and USD(A&T)
 - Changes not retroactive



Contract Administration Services (CAS)

- .5% (.65%) Contract adm
- .5% (.65%) Quality contro
- .5% (.2%) Contract audi
 - (.2%) OCONUS



Accessorial Charge

Packing, Crating and Handling



3.5 percent



TRANSPORTATION MATRIX **DTC 5 DTC 8 DTC 9** DTC 4 **DTC 6 DTC 7 Rat DoD Movement: CONUS CONUS Port Port to Port Overseas Overseas Overseas Point of Origin** Port of Aboard Discharged **Port** Inland **Port** Are to Destination Exit Vessel **Discharged Destination** a **TBC TBC TBC TBC TBC TBC TBC** C, V D,K,LA, B, E H, U F, X G,Y **Europe** 7.5 6.25 10.25 11.25 14.25 **Central American** 10.50 2.50 6.50 7.50 Mediterranean 3.75 0 0 **Newfoundland** Labrador, Thule, Iceland, 9.5 16.25 6.25 12.25 13.25 South America. 2.50 8.50 9.50 12.50 Far East, Africa, **Near East**



Logistics Support Charge (LSC)

- Manpower
- TDY
- ADP
- Printing
- Communications, utilities
- Office equipment/supplies
- Rental of office floor space
- Processing of SDRs





Logistics Support Charge (Cont'd)

- Production control
- Requisition processing
- Inventory maintenance
- Administration of SDRs
- Logistics management



Administrative Charges

- Manpower
- TDY
- ADP
- Printing
- Communications, utilities
- Office equipment/supplies
- Rental of office floor space
- SAOs appropriate share





